



19th August 2020

Dear Councillor

This is to inform you that a Meeting of the Council will be held via Zoom at 7.30 p.m. on Wednesday 26th August 2020, to which you are summoned, for the transaction of the following business.

Join Zoom Meeting

<https://us02web.zoom.us/j/81315895433?pwd=UFUxTTJHekxwS2JlOWFBSzIPbVJTQT09>

Meeting ID: 813 1589 5433

Passcode: 151425

Dial by your location

+44 203 481 5237 United Kingdom

+44 203 481 5240 United Kingdom

+44 203 901 7895 United Kingdom

+44 131 460 1196 United Kingdom

+44 203 051 2874 United Kingdom

Yours sincerely,

A handwritten signature in black ink, appearing to read 'C A Lloyd'.

C A Lloyd
Town Clerk

AGENDA

1. APOLOGIES

To receive apologies for absence if any.

2. DECLARATIONS OF INTERESTS BY MEMBERS

Members are reminded to make any declarations of disclosable pecuniary and/or personal interests that they may have in relation to items on this Agenda.

You should declare at this part of the meeting or when it becomes apparent your interest by stating:

- (a) the item you have the interest in
- (b) whether it is a disclosable pecuniary interest and the nature of the interest, whereupon you will not participate in the discussion or vote on that matter, unless dispensation has been requested and granted
- (c) whether it is a personal interest and the nature of the interest

Members are also reminded of their obligation to report any amendment to their Register of Interests to the Town Clerk as soon as it becomes apparent.

3. QUESTION TIME

Fifteen minutes of the Meeting will be given over to questions from members of the public on issues relating to the work of the Council.

4. MINUTES

To approve as a correct record the Minutes of the Council meetings. Copy of 29th July and 12th August (To follow – awaiting Mayor's comments on draft minutes).

5. TO RECEIVE A REPRESENTATION BY BILLY HIGHTON – EDSV ACADEMY AND CONSIDER THREE YEAR LICENSE

6. MINUTES OF COMMITTEES

Available to view & download at <https://hatfield-herts.gov.uk/council-meetings-2>

To note the Minutes of the Meetings of the Council's Committees.

- a) Planning Committee – 5th August 2020
- b) Planning Committee – 18th August 2020 (To follow)
- c) Resources & Policy Committee – 19th August 2020 (To follow)

7. REPORT OF THE INTERNAL AUDITOR

Report attached

8. TO APPROVE THE DRAFT ANNUAL GOVERNANCE AND ACCOUNTABILITY RETURN (AGAR) 2019/20

- (i) To confirm the dates of the period for the exercise of public rights as 1st September 2020 – 12th October 2020
- (ii) To approve the Annual Governance Statement 2019/20;
- (iii) To approve the Accounting Statements 2019/20

9. DATE OF NEXT MEETING

To note that the next meeting of the Council is 11th November 2020.

Distribution: All Councillors



Hatfield Town Council
Internal Audit Report

Annual Report

Version	1
Date	12 th August 2020
Issued to	Town Clerk
By	Rosanne Nulty CPFA; CMIA

1. Introduction

- 1.1 Greenbiro Limited was first appointed as the internal auditors for the Council for the Municipal Year 2019-20.
- 1.2 The Council has a statutory duty to complete an Annual Governance and Accountability Return (AGAR) each year. Within the AGAR there is an annual internal audit report that provides assurance on a range of prescribed control objectives.
- 1.3 The internal audit testing programme is designed to focus on the areas where assurance is required for completion of the AGAR.
- 1.4 An interim visit was undertaken on 23rd October 2019 to undertake some sample review of documents, procedures and processes to establish the control framework and assess the adequacy and effectiveness of the controls.
- 1.5 The purpose of this report is to provide the Town Clerk and its Councillors with assurance on the effectiveness of the control framework, and identify any areas of concern.
- 1.6 This report does not guarantee that the accounting records of the Council are free from fraud or error.

2. Overview

Approach

- 2.1 Progress with the recommendations made at the interim internal audit are included below.
- 2.2 The prescribed internal control objectives that were reviewed as part of the Annual Internal Audit Report are described in Table 1 below. Alongside each objective, a brief summary of the findings at the interim visit are included.

Conclusions

- 2.3 General comments are that financial records are well maintained, clearly labelled so are easy to find and follow, filed in an appropriate manner and appeared to be complete and fit for purpose.
- 2.4 There were no significant issues of concern regarding the internal control framework to report. One issue was identified with regard to issuing cash payments to four individual suppliers for a music festival event. This is a breach of the Financial Regulations, as they clearly state that payments should be made by cheque, BACS/CHAPS or internet payments. The Financial Regulations state that the Council should not maintain any cash floats and should bank all cash income intact.
- 2.5 The problems with some of the brought forward figures on Sage that have accumulated historically need to be addressed to ensure that the reconciliation process is straightforward and clear.
- 2.6 The control framework is generally operating effectively, and although there is no absolute guarantee, the controls tested, should protect the Council against fraud or error.

Table 1 – Internal Control Objectives (derived from the AGAR form)

	Control Objective	Findings	Action Ref.
A	Appropriate books of account have been properly kept throughout the year.	Accounting records were reviewed and were in the expected format. The Council uses Sage to process its accounting records. Some arithmetic checks were performed to detect system errors. None were found.	
B	The Council's Financial Regulations have been met, payments were supported by invoices, expenditure was approved and VAT was appropriately accounted for.	The Council's Financial Regulations are in accordance with the NALC model guidance and were most recently reviewed and presented to Finance Committee on 25 th September 2019 and were approved by Full Council on 16 th October 2019. A sample of payments was examined. Other than those previously reported at the interim visit, all had been processed in accordance with the described procedure and the Council's Financial Regulations were met. Accounting for VAT was examined on the invoices paid, no errors were detected.	

	Control Objective	Findings	Action Ref.
		The latest VAT returns were examined and had been submitted in full and on time.	
C	The Council assessed the significant risks to achieving its objectives and reviewed the adequacy of arrangements to manage these.	The Council's risk assessments were provided to the auditor. Assessments are undertaken annually for the health & safety aspects of all the Council's activities. The Council does not currently have a corporate risk register that covers areas such as financial, reputational, political and environmental risks. This was discussed with the Clerk and an example risk management pack was provided to the Clerk for consideration. The Clerk has engaged a risk management consultant to build a new risk register. This work was in progress at the time of the audit visit in August 2020.	
D	The annual precept requirement resulted from an adequate budgetary process; progress against the budget was regularly monitored; and reserves were appropriate.	<p>The budget setting process was discussed with the Clerk and was considered to be adequate in meeting the Council's requirements. The budget is considered first by the Policy & Resources Committee, who then recommend it for approval by Full Council. (Minute 61 Policy & Resources refers), and the budget and precept was agreed by Council on 15th January 2020.</p> <p>Appropriate budget monitoring is regularly undertaken with reporting of projections and variances, with explanations where required.</p> <p>The Council has a reserves policy to ensure its financial stability and sustainability. The policy was obtained and reviewed and is appropriate for the purposes of the Council. The reserves balance is more than double that of the minimum balance stated in the policy, but not unusually high for a council of this size.</p>	
E	Expected income was fully received, based on correct prices, properly recorded and promptly banked; and VAT was appropriately accounted for.	<p>The Council operates five community halls, there are bar facilities at the halls. The council also operates a leisure centre facility (dryside) with an indoor children's play area. The leisure centre has a café. As a result, the Council receives a significant amount of cash each week (average of over £2k per week over 32 weeks of 2019-20 examined). All income collected and banked was agreed to the bank statements.</p> <p>Allotments are also owned by the Council at one site, where there is a Service Level Agreement with the local Allotment Association for the running of the allotments, a small grant is provided to the Association for the administration of the site.</p> <p>A sample of payments received was examined. All had been processed in accordance with the described procedure, which was easy to follow and provided a sound audit trail. Charges had been raised at the appropriate rates for hall hire.</p> <p>The Council's Financial Regulations were met, and appropriate charges had been made in accordance with the schedule of rates. The Council is registered for VAT, and all income examined had been correctly accounted for. HMRC are currently reviewing the Council's VAT arrangements (at our request) to clarify treatment around group bookings and exemptions to ensure we are claiming where possible to maximise the Council's VAT recovery.</p>	
F	Petty cash payments were properly supported by receipts, expenditure was approved and VAT appropriately accounted for.	<p>No petty cash records were examined as petty cash is not used.</p> <p>Financial Regulations 6.21. states that: <i>The Council will not maintain any form of cash float. All cash received must be banked intact. Any payments made in cash by staff (for example for postage or minor stationery items) shall be refunded on a regular basis.</i></p> <p>The Council does operate a corporate credit card for use for minor incidental purchases and for fuel for the vehicles. The statements are reviewed and authorised prior to payment.</p>	

	Control Objective	Findings	Action Ref.
G	Salaries to employees and allowances to Members were paid in accordance with council approvals, and PAYE and NI requirements were properly applied.	Salary records were reviewed at the interim visit to check for reasonableness from month to month (analytical review). Payment amounts and deductions were consistent and as expected.	
H	Asset and investments registers were complete and accurate and properly carried out.	There is a full and comprehensive asset register maintained by the Town Clerk. It includes records of additions and disposals, and value at cost as expected.	
I	Periodic and year-end bank account reconciliations were properly carried out.	The file of bank reconciliations was reviewed, and it was confirmed that bank reconciliations are being performed regularly. The year-end bank reconciliation was re-performed. No errors were detected.	
J	Year-end accounts were prepared on the correct accounting basis (receipts & payments/income & expenditure), agreed with cashbook, were supported by an adequate audit trail from underlying records, and, where appropriate debtors and creditors were properly recorded.	The year-end accounts are produced by Sage on an income and expenditure basis. The audit trail was adequate and debtors and creditors in year were properly recorded. There were however a number of issues identified with brought forward figures, and on further inspection, the external auditors had suggested alterations to the brought forward figures for 2019/20 that may be incorrect, and a number of historical journals (dating back some years) had also affected the brought forward balances on the trial balance and consequently the AGAR. Whilst there is confidence that the in-year accounting entries for both 2018/19 and 2019/20 are sound and accurate, the brought forward figures are difficult to reconcile to the actual cash balances held at the bank which are considerably higher (i.e in the Council's favour by over £300k – there is no suggestion of missing money at all, it is Sage balances that appear to be understated).	1
K	Limited assurance review exemption	Not covered as this is not applicable. The Council does not meet the criteria for exemption from the limited assurance review.	
L	Exercising public rights of access	The Council appropriately published its accounts for public inspection.	
M	The Council has met its responsibilities as a trustee.	Trustee responsibilities are being met.	

3. Actions for consideration

3.1 There was one action recommended for consideration at the interim audit.

Risk	Recommended Action	priority	Response
Failure to comply with Financial Regulations that are part of the control framework could result in undetected fraud or error, or inadequate records for accounting purposes.	Officers and Council Members are reminded of the Financial Regulations and should support each other in ensuring that suppliers are only paid through the proper channels. Any suppliers who are unable or unwilling to provide a proper invoice and be paid using the approved methods should not be engaged to provide goods or services.	High	Members have been reminded of their responsibilities under the Financial regulations

3.2 One further recommendation has been made at the year-end.

Risk	Recommended Action	priority	Response
Cashbook records on Sage could be understated.	Whilst there is confidence that all income expenditure has been correctly accounted for and record in the year to 31/3/2020, The Head of Operations and the Clerk should query the amendments to opening balances suggested by the external auditors last year (2018/19) to ensure that figures are reflective of the actual financial position of the Council based on the real cash balances (at the bank) rather than some historical figures on Sage which are now thought to have been incorrectly amended by previous finance staff.	low	

3.3 Where recommendations are made they are normally graded in terms of priority. The recommendations are rated in three categories – High, Medium and Low. Examples of the risks of not making recommended changes are listed below. The list for each is not exhaustive.

- **High** – Where failure to make changes is likely to give rise to a risk of breach of legislation or breach of Financial Regulations; risk of significant loss (financial, reputational) due to undetected fraud or error; or danger to life. The risk is likely to materialise within 3 to 6 months.
- **Medium** – where failure to make changes may give rise to a breach of approved procedures or Financial Regulations; risk of loss (financial, reputational) due to undetected fraud or error; or risk of injury. The risk is likely to materialise within 6 to 12 months.
- **Low** – Where failure to make changes may result in weaker controls leading to risk of undetected fraud or error, or where good value for money is not being routinely achieved.

3.4 Any recommended actions will be discussed with the Clerk and comments or agreed responses will be recorded in the Annual Internal Audit Report.

4. Acknowledgements

4.1 The assistance and cooperation of the Clerk, the Head of Operations and other members of staff was greatly appreciated by the auditor.